

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of the
Bristol County
Contributory Retirement System
For the Five-Year Period
January 1, 1997 - December 31, 2001
PERAC 2001: 07-003-02**

TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Findings and Recommendations	2
Statement Of Ledger Assets And Liabilities	12
Statement Of Changes In Fund Balances	13
Statement Of Income	14
Statement Of Disbursements.....	15
Investment Income.....	16
Statement Of Allocation Of Investments Owned	17
Supplementary Investment Regulations	18
<u>Notes to Financial Statements:</u>	
Note 1 - The System.....	27
Note 2 - Significant Accounting Policies.....	28
Note 3 - Supplementary Membership Regulations.....	29
Note 4 - Administration Of The System	32
Note 5 - Actuarial Valuation And Assumptions	33
Note 6 - Membership Exhibit.....	34

August 20, 2003

The Public Employee Retirement Administration Commission has completed an examination of the **Bristol County** Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, **1997** to December 31, **2001**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Mary Dundas Hayden, James T. Sweeney and Patrick H LePage who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

Bristol County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

1. **Cash Reconciliation:** Two of the System's accounts had several checks outstanding for longer than six months at the end of October 2002. The pension account had nine checks outstanding totaling \$1500, and the general disbursements account had eight checks outstanding for a total of \$800. Previously, the System had as many as seventeen checks older than six months outstanding with a value of \$2,100.

Currently, one staff member is responsible for disbursing retirement funds and reconciling the cash accounts. This practice is counter to 840 CMR 25.13, which states that all bank accounts must be reconciled by someone other than the employee who receives and/or disburses cash.

Recommendation: Any items older than six months should be researched, so that the proper voiding and recording of these items can be completed.

The Bristol County Retirement Board (BCRB) must change the duties assigned to its personnel in order to comply with the required segregation of duties.

Board Response: The BCRB will verify and investigate any outstanding checks on a monthly basis once they are observed to be outstanding for a period of six months. A log indicating the outstanding check and inquiry process shall be available for review.

The responsibility for disbursing and reconciling the retirement payroll account has been divided to two separate individuals. The preparation will continue to be handled by the Senior Administrative Assistant, and the Executive Director will handle the reconciliation of that cash account. In doing so, the retirement payroll account will now be handled identically to the System's expense fund account.

2. **Appropriations:** Several member units paid appropriations late by more than one month but less than three. During the period reviewed, approximately six member units were late once or twice, and three member units were late four or five times. No member unit was charged any accrued interest on late payments of appropriations. All other member units appear to pay early or within thirty days of due date.

Recommendation: The timely remittance of appropriations is vital to the viability of the Retirement System. Notices should be sent to member units stating the date and amount of appropriation due. In addition, the Board should include a statement notifying that, if payment is not received within thirty days of the due date, interest will be charged (state % of interest rate and calculation method). The Retirement Board should take action to recover interest due when member units are late.

Bristol County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

Board Response: In 2001, the Bristol County Retirement Board asked staff members to begin to keep much greater detailed log sheets of appropriation receipt data. The spreadsheet prepared gives BCRB staff all the information necessary in order to quickly follow-up on any outstanding payments. We have noted an improvement in the processing of appropriation payments by member units over the past year due to increased communication from the staff.

In addition, the appropriation request letter (effective with the July appropriation request letter) sent to all member units on a semi-annual basis will be accompanied by a letter explaining the due date and notifying them of the necessity for interest calculations on late payments

3. **Expenses:** Certain services performed for the Board are improperly classified in the general ledger. The expenses for actuarial consulting, computer services, as well as those for legislative consulting services have been recorded in the Administrative Expenses account. We believe these would be more appropriately expensed to the Consulting Services and newly established Service Contract account. Invoices for medical reviews should be categorized as Medical Expenses, and leased equipment more correctly belongs in the Furniture and Equipment Account. These are currently expensed to the Administrative Expenses Account. The Board may also want to consider including the amount reimbursed to towns for Board members' time performing Board business with stipends, to reflect the truer cost of their time.

While examining some of the Board's travel expenses, several issues arose regarding the appropriateness of some payments and/or reimbursements to Board members. The former Chairman regularly approved his own expenses, often prior to the Board approving at subsequent meeting. Per-diem rates were paid to members prior to conference attendance. In some cases, the conference was later not attended. Credit card statements were frequently the only evidence of an expense. This was particularly insufficient when charges were made for airline tickets and hotel rooms. Details for these charges are necessary to verify dates and validity of the expenses.

Members took trips that were not approved in the Board's minutes. A trip-by-trip analysis yielded unaccountable inconsistencies. Examples are: expenses for airfare, registration fees, per diem rates, but no lodging; hotel bills for parking, with no automobile rental expense; charges for airfare only; registration fees for two, lodging for one, no airfare; per diem rates for a number of days exceeding corresponding hotel stays, etc....

One member's time lost from work was regularly billed to the Board, although his time could not always be accounted for when compared to meeting dates, conference dates, or his own mileage submissions. This member appears to have taken some trips where most, if not all, of the expenses were not paid by the Retirement System. This same member incurred unapproved

Bristol County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

charges, which he failed to repay for more than a year. Additionally, his telephone charges ranged from \$90 to \$190 monthly. The charges were significant enough to cause the Board to cancel calling cards.

It should be noted that the Board has since adopted supplemental travel regulations under the provisions of M.G.L. c.7, § 50 and M.G.L. c.32, § 21(4) that were approved by PERAC on November 22, 2002

Recommendation: The Administrator should regularly review general ledger entries to ensure proper classification of expenses. They should also provide office staff with the names of vendors and their usual account classification.

Any trips taken by Board members must be recorded as approved in the minutes. The Board must approve all expense vouchers prior to disbursing funds. Detailed receipts must be submitted for reimbursement, so that charges can be validated.

Board Response: Effective in 2002, the staff of the BCRB has initiated detailed spreadsheets listing vendors, account classifications, monthly payments, and reflection of said expenditures on the annual budget. There should be no inconsistency with the classification of expenses. The development of year-end annual reports will be based on these detailed spreadsheets.

Insofar as travel expenses, the Bristol County Retirement Board has adopted Supplemental Travel Regulations that were approved by PERAC. These guidelines have been followed by the BCRB since March of 2002 when the request for such supplemental regulation was requested by PERAC. At the recommendation of the new chairman, the current Board requires a standardized "Travel and Expense Voucher" to be filed whenever any travel or out-of-pocket expense is incurred. Receipts must accompany those items requiring back-up.

We recognize that this audit was more far reaching than the PERAC Expense Audit of 2001 (copy enclosed) in which it was indicated that the financial records and management functions with respect to travel expenses were being performed in conformity with the established standards. The management and documentation methods of the former chairman should not be confused with the policies adopted by the current Bristol County Retirement Board. The past instances cited in the audit findings would certainly not meet the current criteria of the Travel Regulations requested by PERAC and adopted by the BCRB. The awareness of this Board has been heightened with regard to the ongoing necessity to continually improve the record keeping of each individual board member as well as the general office.

Bristol County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

It is expected that with this current Board and staff, no inconsistencies or unexplained circumstances will exist as it applies to expenses or travel.

4. **Refunds & Transfers:** A review of refunds of members' deductions and member transfers to other systems revealed a pattern of missing membership dates from enrollment forms, and witness signatures missing from withdrawal applications.

The amount of interest refunded or transferred to the Pension Reserve Fund was incorrect for 9% of refunds sampled. Whether or not a member's termination was voluntary was unclear for 7% of this sample. Some problems were also noted in the years of service credited to members' accounts. These would become an issue in the event of a future buyback.

Recommendation: A careful review of refunds and transfers should be a standard part of the operational process. All applicable forms must be properly completed, with no pertinent information left subject to interpretation or additional research.

Board Response: The Board recognizes the importance of properly completed Membership Applications (which set the foundation for all subsequent membership activity) and Applications for Withdrawal of Accumulated Total Deductions. Any missing information on membership applications now requires confirmation from the appropriate treasurer or administrator, and the incorrect filing of the Withdrawal Application now requires the return of the document to the individual.

Insofar as the accuracy of refunded amounts, the initiation of the TACS computer system has greatly enhanced the consistency and accuracy of all monetary calculations in the membership/retiree areas.

We will monitor all the above areas on a continual basis.

5. **Membership:** PERAC auditors sampled members' deduction rates to determine that correct percentages are being withheld, and that the additional 2% deduction is withheld from those members who make over \$30,000 and were hired after January 1, 1979. The sample yielded a 25% error rate. There was a 10% error rate in the base deduction rate and a 15% error rate in the additional 2% deduction for income over \$30,000. Errors were detected in 50% of the member units.

There are approximately 80 members employed in two or more units within the System. Four of these were included in the sample; all had errors with the additional 2% deduction for incomes over \$30,000. The additional 2% was not withheld on total earnings over \$30,000.

Bristol County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

The Board is aware of the problem with deducting the additional 2% for dual members and has initiated corrective action.

Recommendation: The Board must comply with G.L. c 32 § 22 (1)(b), and PERAC MEMO # 43/1999, defining 2% additional deductions. The Board should initiate a system of obtaining detailed payroll information from each of the units, including the following member information:

1. Name
2. Social Security number or employee number
3. Compensation by type: total, regular, overtime and 2% excess
4. Contribution amount
5. Contribution rate
6. Membership date
7. Any other information deemed appropriate

This data must be routinely reviewed by the Board to ensure proper deductions are being withheld. Unit Treasurers or other disbursing officers in charge of payroll must certify to the Board that deductions were taken in accordance with the provisions of G.L. c 32 § 22.

The Board must identify and monitor the contributions of members who are employed by more than one unit, and ensure that these members are paying the correct contributions based on their membership dates, and their annualized salaries.

A training program should be set up for all payroll personnel, including representatives from outside payroll services. All persons charged with processing retirement deductions should receive copies of any and all memos or notices relating to new regulations or other changes involving eligibility or contribution rates.

Board Response: The Board recognized in 2001 that an enhancement of the computer operating systems was needed. With that in mind, the BCRB voted to purchase, and commenced (in early 2002) with the TACS Pension Systems hardware and software as the foundation of the membership and retiree information processing. The reporting structure has greatly enhanced the day-to-day tasks of the office. In particular, their reporting sequence has highlighted and cleared numerous instances of missing information. Of particular value is the ability to run reports for individuals who begin to earn in excess of \$30,000 but are not contributing the additional 2% required. These individuals are continually listed and their member units notified of the required contribution.

Bristol County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

It was not until this recent audit that it was observed that numerous computer programs supplying payroll information from member units to the BCRB were flawed and in error. With this in mind, the following will be undertaken by the Bristol County Retirement Board:

- Specific wording regarding the certification of membership contributions by treasurers or appropriate authorities has been adopted. Member units will be advised that a signature (no stamp) is necessary for processing purposes.
- Staff members will visit all member units during May and June to distribute the necessary information (copies of the appropriate PERAC memorandums and M.G.L.'s explaining the 2% deductions and contribution process). During those meetings, any necessary training will take place.
- A log sheet will be developed indicating the date of training and individuals involved will be noted. If changes in personnel take place, ongoing training will be arranged. We cannot expect the previous individual will be available to be the trainer; this will be handled by BCRB staff on an ongoing basis.
- With 35 different units, there are potentially 35 different methods of presenting information regarding retirement contributions. The BCRB staff has developed one downloadable spreadsheet for the 19 small units (9 members or less). With instructions from staff, we look to greatly minimize the inconsistencies of contribution processing for these 19 member units. This will leave the 16 larger units to be addressed individually. The necessary documentation will be provided, and requests will be made to provide the detailed payroll information to the BCRB to ensure that the 2% contributions are being correctly calculated. As indicated in the audit findings, if detailed payroll information is provided, the auditing of the monthly reports by BCRB staff will be made much simpler.
- All members who have been noted with dual service will be monitored for the "excess \$30,000 earnings". The 14 dual members reviewed with the PERAC audit staff who currently were deficient in their contributions because of dual membership have already been notified (as well as the member unit(s) involved). We have calculated the amount necessary to bring their accounts into order and will reach payment agreements with them.

We will continue to monitor the member units for compliance after the above has been put into effect. We anticipate an outreach program and field audits could be adopted over the next year. Additionally, we are developing a Web Site that will help us effectively communicate information and "examples" of proper processing in issues such as these.

Bristol County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

6. **Retiree Superannuation Calculation:** The Board is calculating the three-year average salary from recorded deduction amounts. If the Board is not receiving the detailed payroll information mentioned above, the deductions may be in error, thereby generating an incorrect average salary.

Recommendation: The Board needs to receive the detailed payroll information stated above in order to ensure proper calculation of average salary.

Board Response: The Board agrees that detailed payroll information as stated in Item #5 will insure the proper processing of retirement calculations.

7. **Meeting Minutes:** During the period of January 1, 1997 through November 21, 2002, the regular meeting minutes noted seven references to the Board holding Executive Sessions. The Board provided draft minutes for one Executive Session held December 27, 2001 and later, however it appears that no record of minutes prior to this date exist, none were presented for our review (five meetings).

Recommendation: The Board should record and retain meeting minutes for all Executive Sessions. The Board should vote one of the members to record the minutes for the session. The Board should also make a determination on Executive Session minutes that no longer need to be kept confidential.

Board Response: The current Bristol County Retirement Board has appointed the Board Administrator to be the custodian of all meeting minutes (both regular and executive session). In the instance where the Director of Operations is not able to, or is requested not to attend the Executive Session, the Chairman has indicated that he will be responsible for recording such minutes.

The Executive Session minutes since 2001 have been maintained and were made available to the auditors for on site review. All Executive Session minutes since that time have revolved around one issue that is currently under litigation. These minutes will be released upon final settlement of that litigation, and will be properly recorded and designated in the Board's Meeting Minutes Record Book.

Prior to the current Chairman's tenure, no Executive Session meeting minutes are available for the period of the audit review.

Bristol County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

8. **Contracts:** The Board invested in SSR Apartment Value Fund II, L.P. prior to requesting and receiving PERAC authorization. Investments in real estate partnerships, whether or not they may be follow-ups to past investments, must be done through a competitive process, followed up by the submission of an Exemption Application, Disclosure Statement, and Vendor Certification Forms.

Recommendation: The Board must comply with all investment regulations stated in 840 CMR 16.00 – 21.00.

Board Response: The Bristol County Retirement Board acknowledges that the process of selecting SSR Apartment Value II Fund was not executed properly. We were in contact with PERAC immediately upon realizing the error, and documented the entire selection process. We clearly understand that investments in real estate partnerships, whether or not they might be follow-ups to past investments with the same manager (which this was), must be finalized by the submission of an Exemption Application (if necessary), Disclosure Statement, and Vendor Certification forms immediately after the competitive bid and selection process. We have made it very clear to our financial advisor that we expect to be correctly advised so that we will properly adhere to all PERAC investment regulations.

9. **Administrative Offices:** The administrative office of the BCRB is located at 645 County Street, Taunton, MA (County Crossing, Condominium Units 4 and 5). The two units are owned by a related party (The County Crossing Realty Trust), which was established September 30, 1994 by the member units of the Bristol County Retirement System (BCRS). It appears that the Trust is acting as a pass-through or break-even entity. The BCRB makes periodic payments to the Trust for lease payments, real estate taxes, condo association fees and special assessments. The Trust receives income from the BCRB, and then pays out expenses closely related to the amount of income taken in for mortgage payments, real estate taxes, condo association fees and special assessments.

The Trust purchased Unit 5 with a one-time assessment paid by the beneficiaries of the Trust according to percentage ownership (this appears to be connected to percentage of appropriations paid to BCRS), and Unit 4 was purchased through a mortgage with Citizens-Union Savings Bank. The minutes of the BCRB indicated authorizing, then Chairman of the Board, and Trustee for the Trust, Patrick H. Harrington to sign the purchase and sales agreement and financing documents related to the purchase of Unit 4. However, in the Trust agreement, item #4 states in part:

Bristol County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

The **Trustee shall have no power** to deal in or with the Trust Estate **except as directed** by the holders of greater than **50% of the beneficial interest...**the Trustee shall buy, sell, convey, assign, mortgage or otherwise dispose of, and as lessor or as lessee execute and deliver leases... borrow money and execute and deliver notes or other evidences of such borrowings....

The Bristol County Retirement Advisory Council (Trust Beneficiaries) voted unanimously to accept the assessment to purchase Unit 5 (Meeting of December 28, 1994). However, the purchase, financing and leasing of Unit 4 appears not to have been authorized by more than 50% of the Trust's beneficial interest, no record of a vote was made available other than the vote made by the BCRB, whose membership includes the Trustees to the Trust. A letter from Citizens-Union Savings Bank, dated March 28, 1997, outlines the terms of the mortgage for Unit 4. In this letter under the caption "collateral", it states a first security interest in all furnishings and fixtures located in Unit 4. It is unclear if certain furnishings were purchased in conjunction with Unit 4, or if the furnishings were owned or subsequently purchased by the BCRB and should not be assigned as collateral in this mortgage between the Trust and Citizens-Union.

There is a lease agreement between the Trust and Retirement Board for only Unit 4 for a term of 10 years: April 9, 1997 through April 9, 2007. It appears no lease agreement exists for the use of Unit 5.

Recommendation: The Board should produce a record of a vote or request that one be taken by The Bristol County Retirement Advisory Council (Trust Beneficiaries) in relation to authorizing purchase, financing and leasing of Unit 4. The Board should verify that the mortgage note specifies the exact furnishings of Unit 4 to be considered as collateral, so it does not include property owned or later purchased by the Retirement Board. The Board should establish a lease agreement for Unit 5 and disclose any below market lease with a related party.

Board Response: The Bristol County Retirement Board has reviewed with counsel the initial structuring of the purchase, financing and leasing of Unit #4. Counsel has indicated that the methodology used was consistent with a conversation with PERAC at that time which indicated that "if there was not additional appropriation requested from the member units, then the Trustees of the County Crossing Realty Trust were at liberty to enter into the purchase and financing without a vote of the Advisory Council." As the member units (who make up the Advisory Council) are the ultimate beneficiaries of the Trust, both the Trustees and Retirement Board Members felt most comfortable in proceeding with the transaction.

Bristol County Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

The mortgage note does specify that the exact furnishings of Unit #4 are to be considered as collateral. Attached to that mortgage is Schedule A which indicates that the Collateral shall include “now owned or hereafter acquired Equipment or Fixtures”. Such statement would eliminate the validity of an inventory of items available at the time of the mortgage note. At the time the mortgage note was executed, Unit #4 was vacant with no equipment or fixtures.

The Bristol County Retirement Board will contact legal counsel who established the lease agreement for Unit #4 and seek guidance on a similar agreement for Unit #5, as well as any other associated documents necessary.

PERAC audit staff will follow-up in six (6) months to ensure appropriate actions have been taken regarding all findings.

Bristol County Retirement System
STATEMENT OF LEDGER ASSETS AND LIABILITIES
FOR THE FIVE-YEAR PERIOD BEGINNING JANUARY 1, 1997
AND ENDING DECEMBER 31, 2001

FOR THE PERIOD ENDING DECEMBER 31,				
ASSETS	2001	2000	1999	1998
Cash	\$4,324,519	\$7,315,387	\$9,163,418	\$2,629,592
Short Term Investments	0	0	0	0
Fixed Income Securities (1998 & 1997 at book value)	34,886,670	32,034,241	29,364,322	28,109,553
Equities	63,913,240	64,911,630	68,719,962	55,479,898
Pooled Short Term Funds	0	0	0	0
Pooled Domestic Equity Funds	56,579,691	64,686,629	54,400,248	48,280,566
Pooled International Equity Funds	40,380,412	35,201,052	36,283,604	30,291,404
Pooled Global Equity Funds	0	0	0	0
Pooled Domestic Fixed Income Funds	35,255,047	31,750,918	26,949,645	27,185,254
Pooled International Fixed Income Funds	9,832,978	9,852,723	5,726,298	6,269,458
Pooled Global Fixed Income Funds	0	0	5,498,404	6,257,622
Pooled Alternative Investment Funds	7,665,046	14,487,917	13,894,142	7,358,461
Pooled Real Estate Funds	14,062,185	13,769,055	14,832,770	12,434,905
Pooled Domestic Balanced Funds	0	0	0	0
Pooled International Balanced Funds	0	0	0	0
Interest Due and Accrued	580,523	645,467	564,205	541,222
Accounts Receivable	570,473	1,044,240	838,281	1,296,363
Accounts Payable	(336,680)	(236,145)	(205,252)	(224,494)
TOTAL	<u>\$267,714,104</u>	<u>\$275,463,114</u>	<u>\$266,030,045</u>	<u>\$225,909,805</u>
FUND BALANCES				
Annuity Savings Fund	\$86,382,876	\$80,269,558	\$74,432,124	\$67,470,127
Annuity Reserve Fund	21,253,653	19,231,249	17,603,118	17,157,077
Military Service Fund	7,359	7,222	7,073	6,921
Pension Fund	27,771,986	27,747,753	28,650,019	28,224,927
Expense Fund	0	0	0	0
Pension Reserve Fund	132,298,230	148,207,332	145,337,711	113,050,753
TOTAL	<u>\$267,714,104</u>	<u>\$275,463,114</u>	<u>\$266,030,045</u>	<u>\$225,909,805</u>
Note: Information for 1997 not shown, but available upon written request				

Bristol County Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FIVE-YEAR PERIOD BEGINNING JANUARY 1, 1997
AND ENDING DECEMBER 31, 2001**

	Annuity Savings Fund	Annuity Reserve Fund	Military Service Fund	Pension Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (1998)	\$62,180,459	\$15,492,796	\$6,759	\$29,526,086	\$0	\$77,838,759	\$185,044,859
Receipts	9,665,065	\$481,739	162	12,167,251	1,794,984	35,175,072	59,284,273
Interfund Transfers	(3,181,647)	\$3,153,856		(9,130)		36,922	0
Disbursements	<u>(1,193,750)</u>	<u>(\$1,971,314)</u>	<u>0</u>	<u>(13,459,279)</u>	<u>(1,794,984)</u>	<u>0</u>	<u>(18,419,327)</u>
Ending Balance (1998)	67,470,127	\$17,157,077	6,921	28,224,927	0	113,050,753	225,909,805
Receipts	10,259,971	516,478	152	14,675,649	1,961,432	32,287,018	59,700,700
Interfund Transfers	(2,049,170)	2,052,516		(3,287)		(59)	(0)
Disbursements	<u>(1,248,805)</u>	<u>(2,122,953)</u>	<u>0</u>	<u>(14,247,271)</u>	<u>(1,961,432)</u>	<u>0</u>	<u>(19,580,461)</u>
Ending Balance (1999)	74,432,124	17,603,118	7,073	28,650,019	0	145,337,711	266,030,045
Receipts	11,122,129	542,506	149	14,476,408	2,185,240	2,873,189	31,199,621
Interfund Transfers	(3,269,569)	3,266,239		6,898		(3,568)	0
Disbursements	<u>(2,015,125)</u>	<u>(2,180,615)</u>	<u>0</u>	<u>(15,385,572)</u>	<u>(2,185,240)</u>	<u>0</u>	<u>(21,766,551)</u>
Ending Balance (2000)	80,269,558	19,231,249	7,222	27,747,753	0	148,207,332	275,463,114
Receipts	11,825,456	594,690	137	16,238,704	2,410,729	(15,909,102)	15,160,613
Interfund Transfers	(3,834,573)	3,846,294		(11,720)			(0)
Disbursements	<u>(1,877,565)</u>	<u>(2,418,579)</u>	<u>0</u>	<u>(16,202,751)</u>	<u>(2,410,729)</u>	<u>0</u>	<u>(22,909,624)</u>
Ending Balance (2001)	<u>\$86,382,876</u>	<u>\$21,253,653</u>	<u>\$7,359</u>	<u>\$27,771,986</u>	<u>\$0</u>	<u>\$132,298,230</u>	<u>\$267,714,104</u>

Note: Information for 1997 not shown, but available upon written request

Bristol County Retirement System

STATEMENT OF INCOME

**FOR THE FIVE-YEAR PERIOD BEGINNING JANUARY 1, 1997
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2001	2000	1999	1998
Annuity Savings Fund:				
Members Deductions	\$9,791,197	\$9,090,438	\$8,356,947	\$7,613,142
Transfers from other Systems	404,747	373,667	318,310	434,469
Member Make Up Payments and Redeposits	163,787	152,413	145,868	183,189
Investment Income Credited to Member Accounts	<u>1,465,725</u>	<u>1,505,610</u>	<u>1,438,846</u>	<u>1,434,265</u>
Sub Total	<u>11,825,456</u>	<u>11,122,129</u>	<u>10,259,971</u>	<u>9,665,065</u>
Annuity Reserve Fund:				
Investment Income Credited Annuity Reserve Fund	<u>594,690</u>	<u>542,506</u>	<u>516,478</u>	<u>481,739</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	343,711	336,145	312,912	296,968
Received from Commonwealth for COLA and				
Survivor Benefits	1,300,063	1,404,398	1,798,509	1,511,590
Pension Fund Appropriation	<u>14,594,930</u>	<u>12,735,866</u>	<u>12,564,228</u>	<u>10,358,694</u>
Sub Total	<u>16,238,704</u>	<u>14,476,408</u>	<u>14,675,649</u>	<u>12,167,251</u>
Military Service Fund:		\$12,973,655		
Contribution Received from Municipality on Account				
of Military Service	0	0	0	0
Investment Income Credited Military Service Fund	<u>137</u>	<u>149</u>	<u>152</u>	<u>162</u>
Sub Total	<u>137</u>	<u>149</u>	<u>152</u>	<u>162</u>
Expense Fund:				
Expense Fund Appropriation	0	0	0	0
Investment Income Credited to Expense Fund	<u>2,410,729</u>	<u>2,185,240</u>	<u>1,961,432</u>	<u>1,794,984</u>
Sub Total	<u>2,410,729</u>	<u>2,185,240</u>	<u>1,961,432</u>	<u>1,794,984</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	41,822	34,792	40,888	31,476
Pension Reserve Appropriation	0	237,641	602,548	566,853
Interest Not Refunded	42,201	25,801	23,262	38,386
Excess Investment Income	<u>(15,993,125)</u>	<u>2,574,957</u>	<u>31,620,320</u>	<u>34,538,358</u>
Sub Total	<u>(15,909,102)</u>	<u>2,873,189</u>	<u>32,287,018</u>	<u>35,175,072</u>
TOTAL RECEIPTS	<u>\$15,160,613</u>	<u>\$31,199,621</u>	<u>\$59,700,700</u>	<u>\$59,284,273</u>

Note: Information for 1997 not shown, but available upon written request

Bristol County Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE FIVE-YEAR PERIOD BEGINNING JANUARY 1, 1997
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,				
	2001	2000	1999	1998
Annuity Savings Fund:				
Refunds to Members	\$1,087,251	\$1,004,395	\$779,261	\$852,471
Transfers to other Systems	790,314	1,010,730	469,544	341,279
Sub Total	<u>1,877,565</u>	<u>2,015,125</u>	<u>1,248,805</u>	<u>1,193,750</u>
Annuity Reserve Fund:				
Annuities Paid	2,396,990	2,159,323	2,016,405	1,863,747
Option B Refunds	21,590	21,292	106,548	107,567
Sub Total	<u>2,418,579</u>	<u>2,180,615</u>	<u>2,122,953</u>	<u>1,971,314</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments	11,074,164	9,840,774	9,047,659	8,249,134
Survivorship Payments	728,093	730,722	715,715	728,671
Ordinary Disability Payments	419,165	410,432	411,896	429,222
Accidental Disability Payments	3,124,821	2,887,092	2,653,856	2,713,348
Accidental Death Payments	459,338	471,308	411,431	401,362
Section 101 Benefits	201,851	164,607	180,421	143,936
3 (8) (c) Reimbursements to Other Systems	195,320	880,637	826,294	793,605
State Reimbursable COLA's Paid	0	0	0	0
Chapter 389 Beneficiary Increase Paid	0	0	0	0
Sub Total	<u>16,202,751</u>	<u>15,385,572</u>	<u>14,247,271</u>	<u>13,459,279</u>
Military Service Fund:				
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend	15,087	15,044	15,044	15,044
Salaries	177,437	177,671	164,545	154,332
Legal Expenses	95,257	133,171	204,178	201,769
Medical Expenses	0	0	0	0
Travel Expenses	7,628	23,973	34,225	34,385
Administrative Expenses	243,051	133,540	157,568	122,170
Furniture and Equipment	0	0	6,618	0
Management Fees	1,583,873	1,452,630	1,151,317	1,063,861
Custodial Fees	171,730	148,684	127,938	118,976
Consultant Fees	116,667	100,528	100,000	84,448
Sub Total	<u>2,410,729</u>	<u>2,185,240</u>	<u>1,961,432</u>	<u>1,794,984</u>
TOTAL DISBURSEMENTS	<u>\$22,909,624</u>	<u>\$21,766,551</u>	<u>\$19,580,461</u>	<u>\$18,419,327</u>

Note: Information for 1997 not shown, but available upon written request

Bristol County Retirement System

INVESTMENT INCOME

**FOR THE FIVE-YEAR PERIOD BEGINNING JANUARY 1, 1997
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2001	2000	1999	1998
Investment Income Received From:				
Cash	\$293,420	\$368,102	\$298,453	\$362,090
Short Term Investments	0	0	0	0
Fixed Income	2,660,873	2,379,143	2,244,594	2,078,482
Equities	743,372	686,097	698,205	705,619
Pooled or Mutual Funds	2,939,762	3,341,039	2,329,314	22,731,215
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL INVESTMENT INCOME	<u>6,637,427</u>	<u>6,774,381</u>	<u>5,570,566</u>	<u>25,877,406</u>
Plus:			\$310,281	
Increase in Amortization of Fixed Income Securities	818,783	989,588	9,575	44,317
Realized Gains	10,979,108	13,781,134	20,669,832	7,566,460
Unrealized Gains	26,772,846	34,943,882	30,809,088	12,473,704
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>580,523</u>	<u>645,467</u>	<u>564,205</u>	<u>541,222</u>
Sub Total	<u>39,151,260</u>	<u>50,360,071</u>	<u>52,052,701</u>	<u>20,625,702</u>
Less:				
Decrease in Amortization of Fixed Income Securities	(150,788)	(349,022)	(912,635)	(143,837)
Paid Accrued Interest on Fixed Income Securities	(368,967)	(391,543)	(258,130)	(159,328)
Realized Loss	(16,175,417)	(12,482,630)	(6,350,296)	(5,855,612)
Unrealized Loss	(39,969,891)	(36,538,591)	(14,023,757)	(1,490,456)
Custodial Fees Paid	0	0	0	0
Consultant Fees Paid	0	0	0	0
Management Fees Paid	0	0	0	0
Board Member Stipend	0	0	0	0
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(645,467)</u>	<u>(564,205)</u>	<u>(541,222)</u>	<u>(604,367)</u>
Sub Total	<u>(57,310,531)</u>	<u>(50,325,991)</u>	<u>(22,086,040)</u>	<u>(8,253,600)</u>
NET INVESTMENT INCOME	<u>(11,521,844)</u>	<u>6,808,461</u>	<u>35,537,228</u>	<u>38,249,509</u>
Income Required:				
Annuity Savings Fund	1,465,725	1,505,610	1,438,846	1,434,265
Annuity Reserve Fund	594,690	542,506	516,478	481,739
Military Service Fund	137	149	152	162
Expense Fund	<u>2,410,729</u>	<u>2,185,240</u>	<u>1,961,432</u>	<u>1,794,984</u>
TOTAL INCOME REQUIRED	<u>4,471,281</u>	<u>4,233,505</u>	<u>3,916,908</u>	<u>3,711,150</u>
Net Investment Income	<u>(11,521,844)</u>	<u>6,808,461</u>	<u>35,537,228</u>	<u>38,249,509</u>
Less: Total Income Required	<u>4,471,281</u>	<u>4,233,505</u>	<u>3,916,908</u>	<u>3,711,150</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>(\$15,993,125)</u>	<u>\$2,574,957</u>	<u>\$31,620,320</u>	<u>\$34,538,358</u>

Note: Information for 1997 not shown, but available upon written request

Bristol County Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash		\$4,324,519	1.62%	100
Short Term		\$0	0.00%	100
Fixed Income		\$34,886,670	13.07%	20 - 80
Equities		\$63,913,240	23.95%	60
Pooled Short Term Funds		\$0	0.00%	
Pooled Domestic Equity Funds		\$56,579,691	21.20%	
Pooled International Equity Funds		\$40,380,412	15.13%	
Pooled Global Equity Funds		\$0	0.00%	
Pooled Domestic Fixed Income Funds		\$35,255,047	13.21%	
Pooled International Fixed Income Funds		\$9,832,978	3.68%	
Pooled Global Fixed Income Funds		\$0	0.00%	
Pooled Alternative Investment Funds		\$7,665,046	2.87%	3 - 5
Pooled Real Estate Funds		\$14,062,185	5.27%	5
Pooled Domestic Balanced Funds		\$0	0.00%	
Pooled International Balanced Funds		\$0	0.00%	
PRIT Cash Fund		\$0	0.00%	
PRIT Core Fund		\$0	0.00%	100
GRAND TOTALS	\$0	<u>\$266,899,788</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2001**, the rate of return for the investments of the **Bristol County** Retirement System was -2.61%. For the five-year period ending December 31, **2001**, the rate of return for the investments of the **Bristol County** Retirement System averaged 11.89%. For the seventeen-year period ending December 31, **2001**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Bristol County** Retirement System was 10.88%.

Bristol County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

The **Bristol County** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

December 11, 1986

20.04 (6) American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States.

October 22, 1986

20.03(1) Equity investments shall not exceed 60% of the total book value of the portfolio at the time of purchase.

20.03(2) At least 20% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year.

December 11, 1986

20.04(6) American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States.

May 20, 1987

20.09(3) All venture capital investments shall be made in U.S. based companies.

December 21, 1987

20.04 (6) American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States, provided that any such investments not exceed 5% of the total book value of equity investments.

February 23, 1989

(1) Real estate investments shall not exceed 5% of the total book value of the portfolio at the time of purchase and shall consist of real estate separate accounts, provided that:

- (a) the Board does not participate in the selection of separate account management and should the Board be required to participate in the selection of management, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
- (b) separate account management retains authority in the decision making process, and
- (c) should an investment in a separate account result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said separate account is prudent.

Bristol County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

February 23, 1989

- 20.03(1) Equity investment shall not exceed 40% of the total book value of the portfolio at the time of purchase including international equities, which shall not exceed 10% of the total book value of the portfolio at the time of purchase.
- 20.03(2) At least 35% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year.
- 20.04(1) United States based corporations and equities of foreign corporations.
- 20.07(5) Equity investments shall be made only in securities listed on a United States Stock Exchange, traded over the counter in the United States, or listed and traded on the exchanges of the following countries: Japan, United Kingdom, West Germany, Switzerland, Italy, Netherlands, Spain, France, Singapore/Malaysia, Sweden, Belgium, Australia.
- 20.08(e) Cash or cash equivalent investments may be made in the foreign currencies of the countries listed in 20.07(5), however, foreign currency speculation is prohibited.

February 21, 1992

- 4.03 (1) Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy of the following for the month:
 - (a) cash book entries;
 - (b) trial balance; and
 - (c) journal entries.

February 25, 1992

- 20.06(8) Purchases and sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve month period, excluding cash and short term obligations.
- 20.07(6) Purchases and sales of equity investments shall not exceed 100% of the average market value of all equity holdings in any twelve-month period.
- 20.03(1) Equity investments shall not exceed 50% of the total book value of the portfolio at the time of purchase.
- 20.04(6) Equities of non-United States based companies provided such securities are denominated in United States currency, are listed on a United Stock exchange or traded over the counter in the United States and provided further that the total of such securities not exceed 10% of the market value of the portfolio.

Bristol County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

September 29, 1994

- 20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:
- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process, and
 - (c) should an investment in real estate result in the indebtedness, such shall be permitted only until such time as divestiture is prudent.
- 20.09(1) Venture capital investment shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:
- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process, and
 - (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.
- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.
- 20.09(3) All venture capital investment shall be made in companies which have their principal places of business in the United States.

August 31, 1995

- 20.03(1) Equity investments shall not exceed 60% of the total book value of the portfolio at the time of purchase.

September 14, 1995

- 20.03(2) At least 20% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds and Eurobonds which shall be limited to 12% of the total fixed income portfolio valued at market.

Bristol County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

September 26, 1996 (New England Group Fund II, L.P.)

20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:

- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.

20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States.

20.09(3) All venture capital investment shall be made in companies which have their principal places of business in the United States.

September 26, 1996 (Metric Growth & Income Fund)

20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:

- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

Bristol County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

November 6, 1996 (UNC Capital, L.P.)

- 20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:
- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process, and
 - (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.
- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States, Europe, or Asia.
- 20.09(3) All venture capital investment shall be made in companies which have their principal places of business in the United States, Europe, or Asia.

November 6, 1996

- 20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States, Europe, or Asia.
- 20.09(3) All venture capital investments shall be made in companies which have their principal places of business in the United States, Europe, or Asia.

December 13, 1996

- 20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase including investments in Hancock Fores Tree IV L.P. which shall be limited to total investments of \$2,000,000 provided that:
- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
 - (b) such personnel retain authority in the decision making process, and
 - (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

Bristol County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

May 7, 1997 (Charles River Partnership VIII)

20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:

- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.

20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States, Europe, or Asia.

20.09(3) All venture capital investment shall be made in companies which have their principal places of business in the United States, Europe, or Asia.

August 13, 1997 (SSR Apartment Fund, L.P.)

20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase including investments in Hancock ForesTree IV L.P. which shall be limited to total investments of \$2,000,000 provided that:

- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

Bristol County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

March 6, 1998 (Morgan Grenfell Global Bond Fund)

20.03(2) At least 20% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including international fixed income investments which shall not exceed 5% of the portfolio valued at market.

March 6, 1998 (Phoenix Real Estate Advisors)

20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase including investments in Hancock ForesTree IV L.P. which shall be limited to total investments of \$2,000,000 provided that:

- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

May 14, 1998 (L&B Real Estate Counsel)

20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase including investments in Hancock ForesTree IV L.P. which shall be limited to total investments of \$2,000,000 provided that:

- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

Bristol County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

May 27, 1998 (Senior Tour Players Fund I)

20.09(1) Venture capital investments shall not exceed 3% of the total market value of the portfolio at the time of the investment provided that in any system with assets in excess of nineteen million dollars, venture capital investments may be made up to an amount equal to 5% of the total market value of the portfolio at the time of investment, shall be considered a separate asset class, and provided further that:

- (a) the board does not participate in the selection of the personnel responsible for making venture capital investments or otherwise exercise discretion in business affairs and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in venture capital result in the direct ownership of securities, such shall be permitted only until such time as divestiture is prudent.

20.09(2) Venture capital investments shall only be made in venture capital funds operated by venture capital firms having their principal places of business in the United States, Europe, or Asia.

20.09(3) All venture capital investment shall be made in companies which have their principal places of business in the United States, Europe, or Asia.

June 10, 1998 (DN Partners, L.P.)

21.01(8) Collateral loans including leveraged buyouts other than as follows:

Leveraged buyout investments shall not exceed 3% of the portfolio valued at market and shall consist of a leveraged buyout limited partnership, provided that:

- (a) limited partners do not participate in the selection of general partners and should a limited partner be required to participate in the selection of a general partner, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
- (b) the general partners retain authority in the decision making process.

Bristol County Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

October 27, 1998

- 19.01(7)(a) (6) The range of fees that are considered tolerable, provided, however, that in no event shall a Board retain a qualified investment manager whose fee is based on a percentage of committed capital, provided, however, that such a fee may be paid for one year after the partnership commences operations, and provided further, that such a fee is paid by all investors;
- 19.01(7)(a) (6a) The board, however, may retain Charles River Partnership IX and pay compensation according to the fee schedule submitted to PERAC provided that such a fee is paid by all investors.

December 28, 1999

- 16.08 In accordance with PERAC Investment Guideline 99-3, the Bristol County Retirement Board may invest in Charles River Partnership X. The Board has been an investor in Charles River Partnerships VII, VIII, and IX and has submitted information on those investments as well as other required documents.

May 7, 2001

- 16.08 In accordance with PERAC Investment Guideline 99-3, the Bristol County Retirement Board may invest in Charles River Partnership XI. The Board has been an investor in Charles River Partnerships VII, VIII, IX, and X and has submitted information on those investments as well as other required documents.

June 21, 2001

- 21.01(3) The Bristol County Retirement System may utilize forward foreign exchange contracts with a gross value up to 60% of the international equity portfolio managed by Arrowstreet Capital, L.P. The purpose of these contracts is not to take or increase risk but to reduce risk by assuring that the portfolio's currency position is in line with the MSCI-EAFE benchmarks. To offset the effect of equity holdings that may be higher or lower than the country percentage represented in the benchmark, offsetting long and short positions in foreign currency contracts will be used to bring the portfolio's currency composition in line with the benchmark.

Bristol County Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Bristol County** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

Bristol County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Bristol County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Bristol County** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 12, 1984

Creditable Service for Call Firefighters and Reserve Police Officers shall be granted according to the following rules:

- a) Service prior to March 1, 1964, shall be credited at the rate of one (1) month for every full year of service.

Bristol County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED)

December 12, 1984 (continued)

- b) Service subsequent to March 1, 1964, shall be credited at the rate of five (5) years maximum for any length of service, provided the recipient was later appointed as a permanent member of the police or fire department.

Part-time employees must become members of the Bristol County Retirement System provided the employee works twenty (20) hours per week.

February 17, 1998

REGARDING THE PURCHASE OF CREDITABLE SERVICE PURSUANT TO M.G.L. CH. 32, SEC. 4(1)(h) AS AMENDED BY CHAPTER 71 OF THE ACTS OF 1996

Except as expressly provided in these regulations, no member of the Bristol County Retirement system ("System") shall be eligible to receive credit for active service rendered in the armed forces of the United States. Unless otherwise defined, all words and phrases are to have the same meaning as provided in M.G.L. Ch. 32.

1. Eligibility. The individual seeking to purchase past service rendered pursuant to M.G.L. Ch. 32, Sec. 4 (1)(h), as amended by Chapter 71 of the Acts of 1996, must be (1) a member in service of the System; (2) a veteran as defined in M.G.L. Ch. 32, Sec 1; and (3) have completed at least ten years of service. Upon having satisfied this criteria, the member must, within 180 days of receiving notification from the Bristol County Retirement Board ("Board") of his eligibility, make application to the Board to purchase past active service rendered in the armed forces of the United States.

2. Limitation of Creditable Service. Once the member has satisfied the eligibility criteria as set forth in paragraph 1, the member may purchase not more than four years of past active service rendered, provided that creditable service shall not be allowed for any period of active service for which the member has already received credit pursuant to M.G.L. Ch. 32, Sec. 4 (1)(h).

3. Terms and Conditions. To receive credit for said service, the member must remit to the annuity savings fund of the System, for each year of creditable service sought, an amount equal to 10% of the regular annual compensation of the member when said member entered the retirement system. Any member who remits the amount due in full as established by the Board within the aforementioned 180 day period will not be charged interest. If full payment is not remitted within the aforementioned 180 day period, annual interest will accrue on any outstanding balance. The Board will establish the annual interest rate for the present year no later than January 31st in each calendar year. Payment to the Board for said purchase shall be made in one lump-sum.

Any eligible spouse who has rights pursuant to M.G.L. Ch. 32, Sec. 12 (2)(d) may, within ninety (90) days from the date that the Board mailed notice regarding the right of election to the spouse, make any make-up payments which at the time of death the member had a right to make for the purpose of obtaining credit pursuant to M.G.L. Ch. 32, Sec. 4(1)(h), as amended by Chapter 71 of the Acts of 1996.

Bristol County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED)

February 17, 1998 (continued)

4. Notice of Decision; Appeal. If the Board decides to deny a member or a member's spouse request to purchase past active service rendered in the armed forces of the United States as contemplated by M.G.L. Ch. 32, Sec 4(1)(h), as amended by Chapter 71 of the Acts of 1996, notice shall be sent to said member or member's spouse. The right to appeal the Board's decision pursuant to M.G.L. Ch. 32, Sec. 16(4) shall be included with said denial.

November 22, 2002

The Board has adopted Travel Supplemental Regulations under the provisions of M.G.L. c.7, § 50 and M.G.L. c.32, § 21(4). (Regulation available upon written request)

Bristol County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the County Treasurer who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and the fifth member is elected by the County Retirement Board Advisory Council.

Ex officio Member: Kevin Finnerty

Appointed Member: Cynthia M. Sevigny Term Expires: 01/01/2006

Elected Member: William Downey Term Expires: 12/31/2004

Elected Member: Stephen Rivard Term Expires: 01/06/2006

Appointed Member: Edmund Lima Term Expires: 12/31/2005

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$1,000,000
		Employee Dishonesty
Ex officio Member:)	\$30,000,000
		Fiduciary
Elected Member:)	Travelers
		(\$10M Primary)
Appointed Member:)	Federal Insurance Co.
		(\$10M Excess of Primary)
Staff Employee:)	Executive Risk Indemnity, Inc.
		(\$10M Excess of \$20M)

Bristol County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **PriceWaterhouseCoopers** as of **January 1, 2001**.

The actuarial liability for active members was	\$223,005,512
The actuarial liability for retired members was	<u>150,556,765</u>
The total actuarial liability was	373,562,277
System assets as of that date were	<u>275,463,114</u>
The unfunded actuarial liability was	<u>\$98,099,163</u>
 The ratio of system's assets to total actuarial liability was	 73.7%
As of that date the total covered employee payroll was	\$121,345,005

The normal cost for employees on that date was 8.21% of payroll

The normal cost for the employer was 4.21% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.50% per annum

Rate of Salary Increase: 6.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2001

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2001	\$ 275,463,114	\$ 373,562,277	\$ 98,099,163	73.7%	\$121,345,005	80.8%
1/1/1999	\$ 226,836,196	\$ 311,255,734	\$ 84,419,538	72.9%	\$95,169,522	88.7%
1/1/1998	\$ 185,852,667	\$ 281,492,555	\$ 95,639,888	66.0%	\$90,608,158	105.6%
1/1/1996	\$ 123,507,326	\$ 219,795,268	\$ 96,287,942	56.2%	\$79,225,005	121.5%
1/1/1994	\$ 93,154,395	\$ 168,935,684	\$ 75,781,289	55.1%	\$68,763,652	110.2%

Bristol County Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Superannuation	67	63	116	62	62	73	92	64	94	90
Ordinary Disability	2	2	1	0	1	1	2	0	0	1
Accidental Disability	4	7	5	3	2	1	6	4	4	10
Total Retirements	73	72	122	65	65	75	100	68	98	101
 Total Retirees, Beneficiaries and Survivors	 1,402	 1,430	 1,505	 1,527	 1,550	 1,548	 1,582	 1,566	 1,592	 1,628
 Total Active Members	 3,383	 3,547	 3,769	 3,920	 3,748	 3,519	 3,738	 3,969	 4,209	 4,354
Pension Payments										
Superannuation	\$5,714,516	\$5,972,435	\$6,691,213	\$7,115,579	\$7,487,694	\$7,925,148	\$8,249,134	\$9,047,659	\$9,840,774	\$11,074,164
Survivor/Beneficiary Payments	395,543	391,568	428,817	429,817	439,294	360,902	728,671	715,715	730,722	728,093
Ordinary Disability	566,521	726,908	425,963	368,452	381,484	429,371	429,222	411,896	410,432	419,165
Accidental Disability	2,017,479	2,129,387	2,216,887	2,262,154	2,317,933	2,531,430	2,713,348	2,653,856	2,887,092	3,124,821
Other	<u>811,733</u>	<u>1,205,890</u>	<u>1,077,527</u>	<u>1,183,207</u>	<u>1,290,952</u>	<u>1,292,432</u>	<u>1,338,903</u>	<u>1,418,146</u>	<u>1,516,552</u>	<u>856,508</u>
Total Payments for Year	<u>\$9,505,792</u>	<u>\$10,426,188</u>	<u>\$10,840,407</u>	<u>\$11,359,209</u>	<u>\$11,917,357</u>	<u>\$12,539,284</u>	<u>\$13,459,279</u>	<u>\$14,247,271</u>	<u>\$15,385,572</u>	<u>\$16,202,751</u>